

## Market transition 'one MBA at a time': institutionalization of management education in Postsocialism

Bandelj, Nina

Veröffentlichungsversion / Published Version  
Arbeitspapier / working paper

### Empfohlene Zitierung / Suggested Citation:

Bandelj, N. (2008). *Market transition 'one MBA at a time': institutionalization of management education in Postsocialism*. (Working Paper Series of the Research Network 1989, 5). Berlin. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-16347>

### Nutzungsbedingungen:

Dieser Text wird unter einer Deposit-Lizenz (Keine Weiterverbreitung - keine Bearbeitung) zur Verfügung gestellt. Gewährt wird ein nicht exklusives, nicht übertragbares, persönliches und beschränktes Recht auf Nutzung dieses Dokuments. Dieses Dokument ist ausschließlich für den persönlichen, nicht-kommerziellen Gebrauch bestimmt. Auf sämtlichen Kopien dieses Dokuments müssen alle Urheberrechtshinweise und sonstigen Hinweise auf gesetzlichen Schutz beibehalten werden. Sie dürfen dieses Dokument nicht in irgendeiner Weise abändern, noch dürfen Sie dieses Dokument für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen.

Mit der Verwendung dieses Dokuments erkennen Sie die Nutzungsbedingungen an.

### Terms of use:

This document is made available under Deposit Licence (No Redistribution - no modifications). We grant a non-exclusive, non-transferable, individual and limited right to using this document. This document is solely intended for your personal, non-commercial use. All of the copies of this documents must retain all copyright information and other information regarding legal protection. You are not allowed to alter this document in any way, to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public.

By using this particular document, you accept the above-stated conditions of use.

# **Working Paper Series of the Research Network 1989**

**Working Paper 5/2008**

**ISSN 1867-2833**

## **Market Transition ‘One MBA at a Time:’**

**Institutionalization of Management Education in Postsocialism<sup>1</sup>**

**Nina Bandelj, Ph.D.**

Assistant Professor

Department of Sociology

University of California, Irvine

[nbandelj@uci.edu](mailto:nbandelj@uci.edu)

### **Abstract**

Can institutionalization of organizational fields be led from the outside? What consequences do new organizational fields have for large scale social change? Examining the institutionalization of management education field in Central and Eastern Europe since the fall of Communism provides an opportune research site to address both of these questions. Using a variety of qualitative data including content analysis of websites and an open-ended survey of administrators, we outline the coercive, normative and mimetic processes that have contributed to field institutionalization. We point to the consequential role of international actors and East-West networks and argue that this institutionalization has been largely led from the outside. Moreover, as sites of market-based knowledge diffusion, often created with a goal to facilitate postsocialist transformations, management schools have been crucial in helping build capitalism from the bottom up, one MBA at a time.

### **Keywords**

Market Transition, Central and Eastern Europe, Institutionalism, Management Education, East-West Networks

---

<sup>1</sup>The author thanks Sandy Jacoby and Chris Armbruster for their comments. A previous version was presented at the UCLA Anderson School of Management, USA, in April 2006.

## **Introduction**

On November 9, 1989, the Berlin Wall, which separated the socialist East from the capitalist West, fell. The fall symbolized what may be the most dramatic and revolutionary transformation of political and economic institutions in the twentieth century—the collapse of Communist regimes and socialist command economies. Vindicated by the eventual dismantling of the Iron Curtain, neoliberals saw the collapse of Communism as an impetus to unleash the “natural” form of economic organization: free-market capitalism. After all, in the eyes of these observers, planned socialist economies were artificially manufactured systems that created inefficiencies, which would be corrected once the intervention of the Party state in the economy was eliminated and free markets were allowed to emerge.

But how does social change happen? How do markets come about? Most literature on postsocialist transformations has either emphasized the relatively spontaneous nature of market emergence or has focused on the role of states and international organizations in guiding the transformations from top-down. This paper argues that either of these views is incomplete. First, market building is not a natural and spontaneous process that just happens when market institutions are put in place that creates incentives for actors to maximize profits. Rather, from a sociological perspective, any institutionalization of a new economic order requires socialization of actors into new rules of behavior. It’s quite simple: if cadres are to become managers, they need to learn management. A crucial way to do so is by establishing private management schools in Central and Eastern Europe that transmit market based knowledge to actors who can use it to restructure state-owned enterprises and establish new private companies.

Against this backdrop, this paper analyzes the institutionalization of the management education organizational field in Central and Eastern Europe after the fall of Communism and its consequences for large-scale social change. Using information from schools’ websites, professional management-education organizations and online business education resources we identify the consequential role of international organizations, professional management associations and peer management schools from Western Europe and North America, and thus argue that this process can be best understood as “institutionalization from the outside.” In fact, East-West networks continue to support the operation of management schools in Central and Eastern Europe by helping these schools acquire tangible and intangible resources. Overall, these management schools and their foreign partners propel broad-scale social change from the ground-up. They equip business actors with market knowledge and skills to help them transform the economy.

## **Postsocialist Transition**

The changes in Central and Eastern Europe after the fall of the Communist regimes have provided social scientists with an unprecedented social laboratory. Analysts of economic changes in postsocialism have plunged into theorizing and examining the East European “emerging markets,” not only to produce voluminous scholarship but also to shape economic policy. The label emerging markets, coined by the International Finance Corporation in 1981, as applied to the Central and Eastern Europe, implies spontaneity, naturalness, or inevitability. In this sense, do markets “emerge”? The question is not only rhetorical. The label emerging markets epitomizes an understanding of market exchange as a natural structure of economic organization, which will emerge as soon as the (unnatural) control of the Party state is abolished. In the absence of state intervention, self-interested market actors will be free to exchange and maximize utility. As one observer stated, “If given the presence of rational, self-interested actors and the absence of government interference, market exchange takes place of its own accord, market

economies should emerge automatically” (Koslowski 1992, 674). Or in the words of a prominent economist Jeffrey Sachs (1994, xii), who served as advisor to many postsocialist governments, “Markets [will] spring up as soon as central planning bureaucrats vacate the field.”

In sharp contrast to the view that markets reflect the natural outcome of individual human activity, and spring up spontaneously, political economists and economic sociologists have long argued for the social and political foundations of markets. This research builds on the classical work by Karl Polanyi (1944). Tracing the great transformation of nineteenth-century England into a liberal market economy, Polanyi showed that free markets were neither natural nor inevitable: “There was nothing natural about laissez-faire; free markets could never have come into being merely by allowing things to take their course. ... Laissez-faire itself was enforced by the state” (1944, 139). Therefore, markets should be understood as “instituted,” that is, as “embedded and enmeshed in institutions, economic and non-economic” (Polanyi 1957, 248).

Much postsocialist scholarship is in line with Polanyi, arguing that market-based activity in Central and Eastern Europe could not just emerge “by allowing things to take their course,” but had to be constructed as a new system of socioeconomic organization in the process of institutionalization of markets. In specifying this process, most work focuses on the role of states and international institutions in inducing changes in a top down-manner (e.g., Koslowski, 1992; Amsden *et al.*, 1994; Orenstein, Kochanowicz, and Taylor, 2001; Hanley, King, and Toth, 2002). Moreover, most economists assume that as soon as the right market-based institutions are put in place, that is, private property rights established, price and currency controls eliminated, state subsidies removed, and trade liberalized, markets will start functioning because these reforms would give rise to a clear incentive structure that would induce efficient corporate governance and rapid restructuring of firms (Sachs 1989; Lipton and Sachs 1990; Sachs and Lipton 1990; Blanchard *et al.* 1991; Fischer and Gelb 1991; Aslund 1992, 1995; Sachs 1994; Blanchard, Froot, and Sachs 1994; Shleifer and Vishny 1994; Boycko, Shleifer, and Vishny 1996).

From a sociological perspective, however, we cannot expect that the creation of market-based order is going to be as immediate. Top-down institutionalization of rules that provide incentives is not enough. We also need to pay attention to the bottom-up process that support the establishment of this market-order in practice. We need to pay attention to how postsocialist actors learn market behavior. Adam Przeworski captures this point well:

[The] assumption that if individuals internalize the costs and benefits of their decision everyone will respond to price stimuli is nothing but an article of faith. Powerful cultural barriers must be broken and well-entrenched habits must be eroded if people are to behave like market actors. ... Modernization, the process by which individuals became acculturated to market relations, took decades or longer in Western Europe. Moreover, whereas, as Lenin once remarked, any cook can be taught to administer a socialist economy, the market economy is a world of accountants, stockbrokers, investment planners, and financial wizards. It takes time for cooks to become MBAs. (1991, 158)

Taking Przeworski’s point quite literally, it is important to recognize the role of management education in helping postsocialist economic actors learn how to become market players and, consequently, help to build capitalism from the bottom up. While we have some studies that pay attention to management schools in postsocialist Europe, they are limited to descriptions of the teaching experiences of Western professors in Central and Eastern Europe (Elbert, 1996), descriptions of initial management-education programs and schools that developed after the collapse of the system (Fogel, 1990; Drew, 1994; Purg, 1997, 1999), and

suggestions for the reform of these programs (Madhavan and Fogel, 1992; Kenny and Trick, 1994). Extending this research, we aim to provide a more systematic view of the creation of the management education field in postsocialist Europe.

### **Data Sources**

In order to understand the creation and operation of management schools in postsocialism, we collected information about 56 private management schools in Central and Eastern Europe, including Albania, Belarus, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Georgia, Kazakhstan, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Slovenia, and Ukraine. We selected those schools which are privately owned, function as separate entities (i.e., they are not simply departments within a university/college or subsidiaries of a Western institution), and offer postgraduate education. Since no listing/directory of such schools exists, we identified them from several different sources.<sup>2</sup> First, we included all of the schools meeting our definitional criteria that were listed in the CEEMAN Membership Directory (CEEMAN 2006a), a total of 36 schools. We complemented that with the two most prominent online directory sources, the Central and East European Education Directory Online (added 4 schools), and the Hobson MBA Central Online Directory (added 7 schools). We then cross-checked our list with the membership lists of regional management associations (BMDA, CAMAN, CEMBAS, FORUM, RABE), and with the EFMD, AACSB and AMBA directories. This generated 6 additional schools. Finally, we used the Google search engine to identify any additional private management schools in the region for all of the 17 countries included in the analysis.<sup>3</sup> Through this search we found 3 additional schools.

Our first source of information were websites of the identified 56 schools.<sup>4</sup> Analyzing websites is an effective way to get at the self-presentation of schools, because we can assume that they use their website to convey to the public who they are and what they do.<sup>5</sup> We checked for evidence of networking activities in the descriptions of the schools, their missions and activities, and the graphic display of affiliations in the form of logos of various associations that the schools belong to or the partner schools they cooperate with. In addition, we had access to information gathered in an open-ended questionnaire sent to CEEMAN members in 2002 about their cooperation with various organizations, in anticipation of the 2003 CEEMAN Conference,

---

<sup>2</sup> In general, because the phenomenon is relatively new, comprehensive information about private management schools in Central and Eastern Europe is hard to come by. Currently, no reliable estimates exist of how many schools there are in the region, how many degrees they confer, and what kinds of organizational structures and resources they have.

<sup>3</sup> We used the search words “management school,” “management school,” and country name.

<sup>4</sup> While we looked through all the sources known to us to identify schools, we recognize that our sample is limited to those schools that have an established website. Because Internet communications are by now common in all of these countries, and it is quite unlikely that a school would not have a website (since their peers/competitors all have them), we believe the chance that our sample is biased is very small.

<sup>5</sup> For instance, we decided to rely on published information about the schools rather than interviews with administrators, since in interviews it would have been difficult to distinguish between an organizational perspective (conveyed by an individual speaking on behalf of an organization) and the interviewee’s own interpretation of that perspective.

“Business Cooperation and Management school Cooperation.” We used this information to complement our content analysis.<sup>6</sup>

### **Institutionalization of Management Schools in Postsocialism**

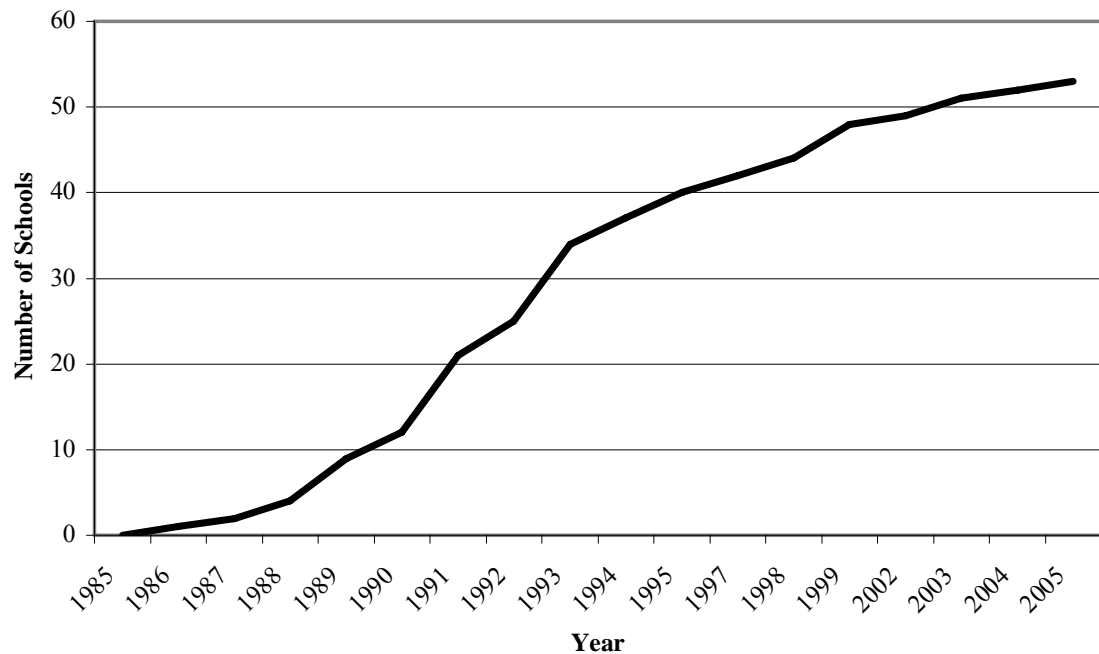
Before the breakup of socialism, business and management schools did not exist in this region. As Michal Čakrt (1993), a Czech professor of organizational behavior, wrote, “the communist regime hated and feared management” (63). Even the word itself is difficult to translate into the Slavic languages, so most of the postsocialist countries have adopted the English expression, *management*. It may be, as Čakrt proposes, that “during those times, anything Western, especially American, was viewed with suspicion and management was considered a word of capitalism” (63). Because of the doctrine of the system, leaders devoted attention to planning (by the party on behalf of the whole society) and controlling rather than managing. Management was not seen as a profession requiring formal education, so there was no reason to have management schools.

In the late 1980s some Central and East European countries embarked on economic reforms and may have begun to recognize a need for management education. The first management schools in Central and Eastern Europe were established in 1986 and 1987, respectively. However, the growth of management schools in the region really began after the fall of the Berlin Wall in 1989 (Fig. 1). For comparison, the very first management school was established in 1881, when James Wharton commissioned the Wharton School of Finance and Economy at the University of Pennsylvania. This was followed by the establishment of the University of Chicago Graduate School of Business in 1898.

---

<sup>6</sup> In 2002, CEEMAN sent an open-ended questionnaire about patterns of collaboration via e-mail to all its members. Among those were 44 that met our definitional criteria for a private, postsocialist management school, and 32 administrators replied: Belarus (1), Croatia (1), the Czech Republic (1), Estonia (1), Georgia (2), Hungary (2), Latvia (4), Lithuania (2), Poland (4), Romania (4), Russia (7), Slovenia (2), and Ukraine (1). The questionnaire asked representatives of the school (usually dean’s assistants) to list and describe the most important cooperative relationships/cooperations that their schools were currently engaged in with (1) national or international governmental agencies; (2) with domestic or international NGOs; (3) with the research or educational programs of other schools, such as joint degrees; or (4) any other type of institutional cooperation. For each of the cooperations that the schools listed, they were asked to provide a brief description, names of institutions or individuals involved, start year, expected duration, how initial contacts were established, reasons for entering the cooperation, what benefits they gained from it, and what some of its disadvantages might be.

**Fig. 1. Establishment of private management schools in postsocialist Europe, 1985–2005**



Source: Data gathered by the author, described in the text.

We can consider the establishment of private management schools in postsocialist Europe as an emergence of a new type of organization in a context where such organizations had not previously existed. What contributed to their establishment? Some researchers note that upon the breakup of socialism, “several North American and West European management schools have assisted in the foundation of Western-style management schools in Central and Eastern Europe” (Drew 1994: 7). Indeed, we can consider the establishment of these academic institutions as an innovation whose goals and mission countered the existing system and ideology of socialism. Thus, the people involved in these efforts must have looked for support from places where management school tradition was well developed. They required more than financial capital. Under socialism, Central and Eastern Europe lacked two major components necessary for the creation of private management schools. First, they lacked academics and professionals who would be able to develop a management curriculum and conduct instruction on market economies and private enterprises. Second, they lacked knowledge of how to operate educational institutions for management. For these reasons, the creation of management schools in Central and Eastern Europe has been highly network dependent. Network ties between founders of private management schools in Central and Eastern Europe and their connections in the West represented a necessary condition for establishing these schools in the postsocialist context (Bandelj and Purg 2006).

Since the establishment of the first two private management schools in Central and Eastern Europe, which preceded the revolutions of 1989, the growth of management education under postsocialism has been remarkable. Central and East European entrepreneurs have established new private management schools, old universities have begun to offer Western-

oriented management education, and several Western management schools have established management-education programs or even subsidiaries in the countries of Central and Eastern Europe. In the language of neoinstitutionalists, we can say that a management-education organizational field has been created in Central and Eastern Europe over the past twenty years.<sup>7</sup>

According to organizational neoinstitutionalism, organizational fields refer to spaces that “in the aggregate, constitute a recognized area of institutional life: [including] key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio and Powell, 1983:148). In a sense, an organizational field could be mapped out as a network of interrelated organizations. But institutionalists are not as concerned with how organizations are positioned within a network as they are with the processes of structuration (Giddens, 1984) within organizational fields that render organizations more and more similar to each other. According to DiMaggio and Powell (1983), this homogenization happens (1) through the influence of powerful organizations that impose particular structural and cultural forms on other organizations (referred to as “coercive isomorphism”), or (2) because organizations yield to pressures from and adopt guidelines provided by professional organizations (“normative isomorphism”), or (3) because organizations mimic the behavior of their peers (“mimetic isomorphism”).

How specifically do coercive, normative and mimetic forces influence the institutionalization of the management-education organizational field in Central and Eastern Europe? We elaborate on this in the next sections.

### *Coercive Isomorphism*

A lack of domestic donors who would contribute private financial resources has represented one of the key challenges for private management schools in Central and Eastern Europe. After all, private property was abolished during Communism so individuals could not amass wealth that they could then donate to management schools as is common practice in the West. Also, charging high tuition fees is not feasible since the purchasing power of students in this region is very low. Hence, many schools have relied on funding from international and foreign governmental organizations. In fact, these were quite keen on supporting management schools because they saw them as helping in the restructuring after Communism.

One of the prominent financial sources was the PHARE program of the European Union. This program was one of three pre-accession instruments financed by the European Union to assist the applicant countries of Central and Eastern Europe in their preparations for joining the European Union (EU 2006). Initially created to facilitate reforms in Poland and Hungary, “The Poland and Hungary: Action for the Restructuring of the Economy” (PHARE) has since included most of the Central and East European countries. Objectives of PHARE included mostly institution building and promoting convergence with the EU legislation, but some of the funds were also available for training programs that would assist in this process. Graduate School of Business Economics, Higher School of International Commerce and Finance (GSBE-HSICF), Warsaw, Poland provided the description of this assistance:

---

<sup>7</sup> For other studies on the creation of new organizational fields see for instance, DiMaggio’s (1991) study of the rise of professionalization of the U.S. art museums, Haveman and Rao’s (1997) study of the development of the thrift industry or Rao’s (1998) study of the construction of nonprofit consumer watchdog organizations.



In the year 1994, ITS [International Trade School, a predecessor to GSBE-HSICF] took part in the contest for the TESSA-PHARE grant (Training and Education in Strategically Significant Fields) with the project of MBA studies developed by Professor S. Ryszard Domański in the PAN Institute of Economic Science. Original educational programmes realized by world famous professors and Nobel Prize winners were used to construct the detailed thematic fields of the particular lecture series. Since the contest was won by ITS (in 1995), the postgraduate Master of Business Administration studies were opened with TESSA-PHARE support. (GSBE-HSICF 2006)

In some other cases, international funds were received from the United States Agency for International Development (USAID). As KIMEP, the Kazakh Institute for Management, Economics and Strategic Research reports:

In August 1994, Dr. Hartmut Fischer from the University of San Francisco was proposed by the European Union to the President of Kazakhstan to be KIMEP's second Executive Director. Under his leadership KIMEP's academic programs expanded rapidly and found critical additional support from the US Agency for International Development. (KIMEP 2006)

Moreover, The Institute for Business and Public Administration from Bucharest (ASEBUSS) was founded in 1993 through a program financed by USAID. Other schools that explicitly listed assistance from USAID included CMC (Czech Management Center), European School of Management (ESM) in Tbilisi, Georgia, IAB-International Academy of Business in Kazakhstan, Kaliningrad International Business Institute (KIBI) in Russia, and UIB-University of International Business, Kazakhstan.

To receive assistance from any of the international organizations, the budding management schools in Central and Eastern Europe had to adopt programs and structures approved by these organizations often in partnership with Western educational institutions. Conditionality provisions applied just like for any other foreign aid programs. Thus, we can say that international organizations acted as a coercive mechanism of structuration within the postsocialist management-education organizational field. However, we have to acknowledge that this pressure is most evident in the initial years after the collapse of Communism, and wanes in subsequent years.

### *Normative Isomorphism*

From our data, it is evident that institutionalization of management schools in Central and Eastern Europe is also heavily influenced by international and regional professional management associations. The great majority of the schools that we examined were members of such organizations and visibly displayed their institutional affiliations on their websites. The most common international professional management organizations that these schools belonged to were AACSB International—The Association of Advanced Collegiate Schools of Business, International; the Executive MBA Council; and EFMD, the European Forum for Management Development. The AACSB is a not-for-profit organization of educational institutions, corporations, and other organizations devoted to the promotion and improvement of higher education in business administration and management. As its website purports, “[the] Association’s growing membership outside the U.S. provides new opportunities and challenges for AACSB International as it expands its role as a source of information, training and

networking for management educators” (AACSB International, 2005). The Executive MBA Council offers a professional forum to schools with MBA programs, in order to “strengthen the bonds among Executive and Professional MBA Programs throughout the world and [contribute] to the advancement of executive education” (EMBA, 2005). EFMD is

[an] international membership organization, based in Brussels, Belgium. With more than 600 member organizations from academia, business, public service and consultancy in 70 countries, EFMD provides a unique forum for information, research, networking and debate on innovation and best practice in management development. EFMD is recognized globally as an accreditation body of quality in management education and has established accreditation services for management schools and management school programmes, corporate universities and technology-enhanced learning programmes. (EFMD 2007).

As it is evident from EFMD’s description, besides providing professionalization opportunities, these international associations also exert a significant effect on institutionalization of postsocialist management schools because they act as accreditation agencies. They grant their “seal of approval” to management schools that abide by their criteria, including, among others, specific admission requirements, student size and profile, faculty size and profile, program contents, infrastructure, international orientation, and business community relations.

The regional actor that fulfills a similar role is CEEMAN, the Central and East European Management Development Association. As stated on its website, “CEEMAN ... is an international management development association established in 1993 with the aim of accelerating and improving management development in Central and Eastern Europe” (CEEMAN, 2005). CEEMAN activities include organization of the IMTA (International Management Teachers Academy), annual conferences and deans and directors meetings, and case-writing seminars and competitions. CEEMAN also has its own International Quality Accreditation system.

Finally, several national management associations contribute to the normative isomorphism within the postsocialist management education organizational field, including the Polish Management Development Association (FORUM), the Russian Association of Business Education (RABE), the Czech Association of MBAs (CAMBAS), the Baltic Management Development Association (BMDA), and the Central Asian Foundation for Management Development (CAMDEN) based in Kazakhstan.

### *Mimetic Isomorphism*

Another important force in institutionalizing the management-education organizational field in Central and Eastern Europe is mimetic isomorphism, mimicking of peer behavior, and taking the clues for appropriate action from similar organizations in the organizational field. We found clear evidence for almost all of our schools that they forge various forms of cooperation and networking with their peers from the West and from within the region. Half of the schools whose websites we analyzed present some evidence of networking on their home pages. This is mostly done by (1) including graphic displays of logos of schools (in most cases from Western Europe and North America) that they cooperate with, or (2) mentioning international and networking orientations of the school in a brief general description that often appears on the index home page. If the mention of networking activities does not appear on the home page, then schools include it in a special section on the website that lists the school’s mission/goals/core activities,

or in a separate section, variously titled “International Activities,” “International Cooperations,” or “Partnerships.” Many also have a “Welcome from the President/Director/Dean” section, where they quote their top officials, emphasizing what their schools stand for and what some of their distinctions are. Networking activities were frequently mentioned in those quotations. For instance, Dr. Virginijus Kundrotas, president of the ISM (International School of Management) at the University of Management and Economics, based in Lithuania, puts networking activities and partnerships at the center of his welcome, entitled “ISM—The School with a Perspective”:

*Partnerships, international activities, the development of new, IT-based, educational methods and the use of modern learning techniques are only a few of the things that contribute to the quality of our university. The interaction between international expertises [sic] provided by the main founder, the Norwegian School of Management BI, other international partners, and the professionalism of local management and faculty gives [sic] ISM an [sic] unique opportunity to be in the forefront of management thinking and development. Hosting the headquarters of the newest management education network—Baltic management development association (BMDA)—creates an additional opportunity to share the innovative ideas of modern management development with the organisations in a whole Region.* (ISM, 2006; emphases added)

Likewise, one of the oldest management schools in the region, the Central European University Management school, located in Budapest, writes that “cultivating collaborative relationships with other educational institutions is an integrally important aspect of the School’s overall mission” (CEU Graduate School of Business, 2006a). Wyższa Szkoła Biznesu–National Louis University–Poland proudly announces that “WSB–NLU cooperates with more than 200 colleges and universities all over the world. This cooperation entails mainly student and faculty exchange, organizing joint research projects, participating in seminars and academic meetings and exchanging scientific publications and academic projects” (WSB–NLU, 2006). The University of International Business, Kazakhstan, lists among its distinctions “Promotion of international partnership with international organizations and companies”; “Collaboration with leading universities from USA, UK and Russia in the field of business education”; and “Invitation of foreign instructors to UIB from USA” (UIB, 2006). Actively soliciting more networking activities, the Business and Administration School in Gdynia (BAS), Poland, announces on its home page, “We gladly welcome all new ideas for international co-operation of all kinds: teacher and student exchange, international exchange programmes or projects, special/guest lectures, joint research projects and programmes, vocational training and internships, conferences and publishing activity. We will be happy to establish new contacts with universities, educational institutions and business partners” (BAS, 2006).

### **Importance of East-West Networks**

Based on our evidence we conclude that the functioning of management schools in Central and Eastern Europe is largely dependent on East-West networks. Many organizations rely on these networks because they represent the only way for them to staff their management courses and develop a business studies curriculum. Almost all of the schools’ websites noted that the curricula for their management programs were developed in collaboration with foreign institutions. In addition, 25 schools said that they had formally established joint programs, mostly joint MBA programs, with Western schools. And even those without formal joint programs proudly announce that many professors who teach in their courses come from foreign

countries. In a section of its website entitled “What makes our school different?” the Leon Kozminski Academy of Entrepreneurship and Management in Warsaw writes, “International faculty. The Academy has a 50% rule for the participation of foreign professors in programs taught in English. At least 50% of the professors come from the United Kingdom, USA and Canada, plus additional numbers from Poland, France, India, Israel, etc.” (WSPIZ, 2006). In fact, 45 out of 56 schools explicitly note on their websites that (at least some if not the majority of) their faculty come from abroad.<sup>8</sup>

Moreover, schools also highlight networking activities, in particular joint ventures with foreign schools, and memberships in international management associations to increase their status. They mention international cooperations to signal distinction, recognition, and success. For instance, the Russian Ural College of Economy (UCE) writes that “UCE has managed to become one of leading colleges of city and area. About a recognition and success speaks [*sic*] the inclusion of the UCE in the directory of leading business-schools in Central and the East Europe” (UCE, 2006).<sup>9</sup>

Often, mere references to the West are meant to signal prestige. Consider the passage on the website of the West Pomeranian Management school, from Poland, where they emphasize that international cooperation enables the school “to enjoy excellent lectures given by professors whose names are well-known from the best American and Canadian books on finance, marketing and economics” (West Pomeranian Management school, 2006). Likewise, a Ukrainian International Institute of Business includes among its “key advantages” the fact that the institute employs “leading Ukrainian professors and practitioners with substantial work experience, who studied and worked in professional internships at Western universities” and “the use of modern methodology, teaching tools and materials from famous Western European and North American schools” (IIB, 2006). Often, it is quite unclear who/which these “well-known professors,” “the best books” or “famous schools” specifically are.

Overall, management schools in Central and Eastern Europe need tangible and intangible resources for their operation. Getting financial support, staff and curriculum resources, building a brand name by enhancing prestige and getting accredited by management associations, are all necessary for the functioning of these schools. East-West networks continue to be the major source of these resources. Hence, it is clear that to a great extent the market-transition ‘one MBA at a time’ has been facilitated from the West. In what sense this dependency of postsocialist management education will continue is an empirical question. Initiatives launched by the regional associations, such as CEEMAN, attempt to lessen the foreign influence, and develop management programs that are designed specifically for the postsocialist conditions and aim to

---

<sup>8</sup> Some of the schools do not list their faculties on the website, or mention their composition, so in actuality the number of those that have faculty from abroad is probably even higher.

<sup>9</sup> They refer here to the CEEMAN Membership Directory which lists all CEEMAN members. To become a member, one needs to fill out a membership form and attach the most recent brochure of the organization. The applicant also must be “devoted to teaching and research in management” and must have “available the required human, physical and financial resources for the achievement of its objectives [and] high academic standards of excellence” (CEEMAN, 2006b). The “academic standards of excellence” are judged by the expressed commitment of the institution to these standards rather than by an evaluation/ranking by an external agency.

train professors from the region to lead such courses. At this stage, however, those who do the training largely come from the North America and England.

### **Management schools as Mechanisms of Change: Bottom-Up Transition to Capitalism**

As Przeworski's quote above implies, the role of management schools in Central and Eastern Europe is precisely to turn many postsocialist economic actors into MBAs, as the MBA program is the most common management-education program that these management schools in Central and Eastern Europe offer. More generally, business and management schools are set up to educate students, and this is their primary activity. (A minority of these schools have extensive research programs in management and list research as a central goal.) Actually, because of the context of the postsocialist transformation, many of these schools think of themselves as "agents of change," established precisely to help their societies transform.

The first management school in Central and Eastern Europe, the International Executive Development Center (IEDC) in Slovenia, was established in 1986. According to Danica Purg, the IEDC founding director, the goal of this training center that became IEDC-Bled School of Management was to help Slovenian (Yugoslav) executives restructure socialist enterprises.<sup>10</sup> The International Management Center located in Budapest, Hungary, which later became the Central European University Management School, was the second management school established in the region. As its mission states, this school's goal is also "[to] be a catalyst of change, by playing an active role in introducing American style business education to the public and private sectors of the still transforming economies 'east of the EU'" (CEU, 2006a). For the International Academy of Business in Kazakhstan, the goal is to "prepare a new generation of managers for democratic Kazakhstan" (IAB, 2006). The principal of the ESM-Tbilisi in post-Soviet Georgia tells visitors to the school's website how the school contributes to the market transition in his country:

European School of Management in Tbilisi (ESM-Tbilisi) was set up in 1992 ... [as] the first ... non-governmental management school [in Georgia]—"Tbilisi Management school." Despite a rather troubled time, the ESM-Tbilisi founders were convinced that the process of formation of independent Georgia with [a] market-oriented economy had become irreversible. New Georgia would need both politicians ... [with a] new mode of thinking and managers able to effectively function in the period of transition from [a] planned to market economy and further their activities in the totally market one. We were sure, as we are sure today, that just private higher education institutions, supported by [the] private sector and internationally, would be most effective and capable of creating a new elite in the society in independent and democratic Georgia. (ESM, 2006)

Emphasizing the crucially needed new knowledge for transforming postsocialist enterprises, the director of the IPFM-Institute for Industrial and Financial Management in Prague writes in his welcome on the institute's webpage that "[the] decision to establish IPFM back in 1998 came as a natural response to deficiencies of the Czech graduates who could have hardly addressed and tackled challenges of the transition period which [the] Czech Republic underwent during the last decade of the 20th century" (IPFM, 2006). Even more explicitly, the Institute for Privatisation and Management from Belarus reports that

---

<sup>10</sup> Personal interview, April 24, 2004.

The major task of the Institute at the time of its creation was the promotion of the economic reforms in Belarus. The Institute's first educational programmes were the programmes on restructuring and privatisation of enterprises. The majority of students were directors and managers of state businesses. Later, certain programmes were created to train specialists in the trades, which appear in the course of market reforms: [stock] market specialists, estate and business valuers, and bankruptcy managers. (IPM, 2006)

The curricula taught in these schools include accounting, finance, marketing, logistics and operations, international business, human resource management, management of change, strategy, leadership, team-building, communications, and corporate governance, among others. These are the kinds of knowledge and skills required in a market-based economy. The subjects are mostly taught by foreign instructors (or domestic instructors educated abroad), using teaching materials developed in the West. While some schools emphasize that their curricula are adapted to the local environment, many more import their programs "wholesale" from Western institutions, especially in the case of schools that offer joint degrees with these institutions.

While data on the total number of people graduating from these management schools is unfortunately unavailable, the numbers are certainly not trivial. For instance, the IEDC-Bled School of Management reported that 33,500 managers have attended their programs since 1986. This is for a school that offers only graduate-level education and executive management programs, has just 30 permanent employees, and is located in one of the smallest postsocialist countries with only 2 million inhabitants.<sup>11</sup>

On the whole, it is clear that management schools in Central and Eastern Europe transmit the principles of market economy to postsocialist economic actors. Those who attend their programs (and schools happily report that they take up important positions in the private and public sectors) come out equipped with "KSFs" (key success factors), understand concepts such as "balanced scorecard," "7-sigma," "management-by-objectives," "four stages of team development," "matrix organization," and all sorts of other ideas about how to restructure state-owned enterprises or to establish and run new private businesses to maximize profits. They come out not only with abstract ideas but "practical knowledge and skills to make a difference in the real world," as these schools like to emphasize. As such, the graduates and seminar participants of the postsocialist management schools are among the ones who help build capitalism from the bottom up.

## **Conclusion**

Can institutionalization of new organizational fields be led from the outside? What consequences do new organizational fields have for large scale social change? Examining the creation of management education in Central and Eastern Europe since the fall of Communism provided an opportune research site to address these questions. The establishment of management schools at the end of socialism was a sign of social change in Central and Eastern Europe. Since 1989 we have witnessed a significant proliferation of these schools throughout the region and the institutionalization of management education. We outlined the coercive, normative and mimetic processes that contributed to the institutionalization. Aid from international organizations, the activities of professional associations, and mimicking peer behavior have all helped establish a management school as a legitimate organizational form in postsocialism. In this

---

<sup>11</sup> Personal interview, April 24, 2004

institutionalization process, East-West networks have been crucial, and have served as a source of tangible and intangible benefits that aid efficiency and confer legitimacy. Hence, the emergence of this organizational field can be rightfully considered as “institutionalization from the outside.” This has significant consequences for the type of knowledge transmitted to postsocialist economic actors as well as implications for the convergence in the management education world-wide, both issues that we hope will be addressed in future research.

## References

- AACSB International. 2005. "About us." Online at <http://www.aacsb.edu/aboutus.asp>. Retrieved March 21, 2005.
- Aldrich, Howard, and Marlene C. Fiol. 1994. "Fools rush in? The institutional context of industry creation." *Academy of Management Review* 19:645–70.
- Amsden, Alice, Jacek Kochanowicz, and Lance Taylor. 1994. *The Market Meets Its Match*. Cambridge, MA: Harvard University Press.
- Aslund, Anders. 1992. *Post-communist Economic Revolutions: How Big a Bang?* Washington, D.C.: Center for Strategic and International Studies.
- Aslund, Anders. 1995. *How Russia Became a Market Economy*. Washington, D.C.: Brookings Institution Press.
- Bandelj, Nina. 2002. "Embedded economies: Social relations as determinants of foreign direct investment in Central and Eastern Europe." *Social Forces* 81(2):411–44.
- Bandelj, Nina and Danica Purg. 2006. "Networks as Resources, Organizational Logic, and Change Mechanism: The Case of Private Business Schools in Postsocialism." *Sociological Forum* 21(4): 587-622.
- BAS. 2006. "Welcome to BAS." Online at: [http://www.wsaib.pl/welcome\\_to\\_bas.html](http://www.wsaib.pl/welcome_to_bas.html) Retrieved March 9, 2006
- Blanchard, Oliver, Kenneth A. Froot, and Jeffrey D. Sachs. 1994. *The Transition in Eastern Europe*. Chicago: University of Chicago Press.
- Blanchard, Olivier, Rudiger Dornbusch, Paul Krugman, Richard Layard, and Lawrence Summers. 1991. *Reform in Eastern Europe*. Cambridge, MA: Cambridge University Press.
- Boycko, Maxim, Andrei Shleifer, and Robert Vishny. 1995. *Privatizing Russia*. Cambridge: MIT Press.
- Burt, Ronald. 1992. *Structural Holes: The Social Structure of Competition*. Cambridge, MA: Harvard University Press.
- Čakrt, Michal. 1993. "Management education in Eastern Europe: Toward mutual understanding." *The Academy of Management Executive* 7(4):63–69.
- CEEMAN. 2005. "About CEEMAN." Online at <http://www.ceeman.org/about/index.html>. Retrieved January 23, 2005.
- CEEMAN. 2006a. "Current members." Online at <http://www.ceeman.org/About/current.html>. Retrieved January 5, 2006.
- CEEMAN. 2006b. "Membership." Online at <http://www.ceeman.org/About/member.htm>. Retrieved March 9, 2006.



- CEU Graduate School of Business. 2006a. "CEU Management school mission." Online at <http://www.ceubusiness.com/mission.php?cmsseid=T21f461595217828107fb0619f63006685d888bdfc8f670e4b266d681040250b>. Retrieved March 9, 2006.
- CEU Graduate School of Business. 2006b. "History of CEU Management school." Online at <http://www.gsb.ceu.hu/page.php?page=26&l=1>. Retrieved January 23, 2006.
- DiMaggio, Paul. 1991. "Constructing an organizational field as a professional project: U.S. art museums: 1920–1940." In Walter Powell and Paul DiMaggio (eds.), *The New Institutionalism in Organizational Analysis*: 267–92. Chicago: University of Chicago Press.
- DiMaggio, Paul, and Walter Powell. 1983. "The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields." *American Sociological Review* 48:147–60.
- Drew, Stephen. 1994. "Executive development observations: Prague 1993." *Journal of Management Development* 13(3):4–15.
- EFMD. 2007. "About us." Online at: [http://www.efmd.org/html/about/cont\\_detail.asp?id=040928czte&aid=041011axsd&tid=1&ref=ind](http://www.efmd.org/html/about/cont_detail.asp?id=040928czte&aid=041011axsd&tid=1&ref=ind). Retrieved March 20, 2007.
- Elbert, Norbert. 1996. "Management education in postsocialist Hungary: Observations on obstacles to reforms." *Journal of Management Education* 20(1):70–79.
- EMBA. 2005. "What we do?" Online at [http://www.emba.org/about\\_whatwedo.htm](http://www.emba.org/about_whatwedo.htm). Retrieved March 23, 2005.
- ESM. 2006. "Principal's welcome." Online at <http://www.esm-tbilisi.ge/english/aboutusglb.htm>. Retrieved March 9, 2006.
- EU. 2006. "Phare." Online at <http://europa.eu.int/comm/enlargement/pas/phare/>. Retrieved March 9, 2006.
- Fischer, Stanley, and Allan Gelb. 1991. "The Process of Socialist Economic Transformation." *Journal of Economic Perspectives* 4:91–106.
- Fogel, Daniel. 1990. "Management education in Central and Eastern Europe and the Soviet Union." *Journal of Management Development* 9(3):14–20.
- Giddens, Anthony. 1984. *The Constitution of Society*. Berkeley and Los Angeles: University of California Press.
- GSBE-HSICF. 2006. "History." Online at <http://www.wshifm.edu.pl/history.php>. Retrieved March 9, 2006.
- Hanley, Eric, Lawrence King, and János Istvan Tóth. 2002. "The State, International Agencies, and Property Transformation in Postcommunist Hungary." *American Journal of Sociology* 108:129–61.

- Haveman, Heather and Hayagreeva Rao. 1997. "Structuring a theory of moral sentiments: Institutional and organizational coevolution in the early thrift industry." *American Journal of Sociology* 102: 1606-1651.
- IAB. 2006. "Main page." Online at <http://www.iab.kz/eng/>. Retrieved March 6, 2006.
- IIB. 2006. "About International Institute of Business." Online at <http://www.iib.com.ua/default.asp?cid=299&lang=en>. Retrieved March 9, 2006.
- IPFM. 2006. "Welcome to IPFM." Online at <http://www.ipfm.cz/?doc=welcome>. Retrieved March 9, 2006.
- IPM. 2006. "About IPM." Online at <http://www.ipm.by/index.pl?topicid=fd8a0bb7>. Retrieved March 9, 2006.
- ISM. 2006. "ISM—The school with a perspective." Online at <http://www.ism.lt/vid.php3?mid=1&lang=en>. Retrieved March 9, 2006.
- Kenny, Brian, and Bob Trick. 1994. "Developing management education in the former communist countries of Europe." *European Business Review* 94(1):30–39.
- KIMEP. 2006. "The Kazakhstan Institute of Management, Economics, and Strategic Research." Online at <http://www.kimep.kz/>. Retrieved March 9, 2006.
- Koslowski, Rey. 1992. "Market institutions: East European reform, and economic theory." *Journal of Economic Issues* 26:673–705.
- Lipton, David, and Jeffrey Sachs. 1990. "Privatization in Eastern Europe: The case of Poland." *Brookings Papers on Economic Activity* 2:293–341.
- Madhavan, Ravindranath, and Daniel Fogel . 1992. "In support of reform: Western business education in Central and Eastern Europe." *Review of Business* 13(4):4–10.
- Orenstein, Mitchell. 2001. *Out of the Red: Building Capitalism and Democracy in Postcommunist Europe*. Ann Arbor: University of Michigan Press.
- Padgett, John F and Christopher K. Ansell. 1993. "Robust action and the rise of the Medici, 1400-1434." *American Journal of Sociology* 98(6): 1259-1319.
- Polanyi, Karl. 1944. *The Great Transformation: The Economic and Social Origins of Our Time*. Boston: Beacon Press.
- Polanyi, Karl. 1957. "The economy as instituted process." In K. Polanyi, C. Arensberg, and H. Pearson (eds.), *Trade and Market in the Early Empires*: 243–70. New York: Free Press.
- Przeworski, Adam. 1991. *Democracy and the Market*. Cambridge: Cambridge University Press.
- Purg, Danica. 1997. "Management development in Central and Eastern Europe." In *The Directory of MBAs*: 30–31. 2nd ed. London: Edward More O'Ferrall.

- Purg, Danica. 1999. "Management development and MBAs in Central and Eastern Europe." In *MBA Casebook 2000: Management Degrees at the World's Top Management schools*: 44–45. London: Hopsons.
- Purg, Danica, and Nenad Filipović. 1993. "Management development in Slovenia." *EFMD Brussels* 2:36–37.
- Rao, Hayagreeva . 1998. "Caveat emptor: The construction of nonprofit consumer watchdog organizations." *American Journal of Sociology* 4:912–51.
- Sachs, Jeffrey. 1994. *Poland's Jump to the Market Economy*. Cambridge: MIT Press.
- Schneiberg, Marc. 2005. "Combining new institutionalisms: Explaining institutional change in American property insurance." *Sociological Forum* 20(1):93–137.
- Sharma, Basu, and Judy Ann Roy . 1996. "Aspects of the internationalization of management education." *Journal of Management Development* 15(1):5.
- Shleifer, Andrei, and Robert Vishny. 1994. "Privatization in Russia: First Steps." Pp. 137–64 in *The Transition in Eastern Europe*, vol. 2: Restructuring, ed. Oliver Blanchard, Kenneth Froot, and Jeffrey Sachs. Chicago: University of Chicago Press.
- UCE. 2006. "Это все о нас." [All about us.] Online at <http://uralec.ru/home.html>. Retrieved March 9, 2006.
- UIB. 2006. "Международное сотрудничество." [The international cooperation.] Online at <http://www.uib.kz/index.php?name=Pages&op=page&pid=8>. Retrieved March 9, 2006.
- West Pomeranian Management school. 2006. "International co-operation." Online at <http://www.zpsb.szczecin.pl/english/oszkole/oszkole7.html>. Retrieved March 9, 2006.
- WSB-NLU. 2006. "Partner universities." Online at [http://www.wsb-nlu.edu.pl/index2.php?hMenuCh=1142089770&idSubMenuID=uczelnie\\_partnerskie&idMenuID=wspolpraca\\_miedzynarodowa](http://www.wsb-nlu.edu.pl/index2.php?hMenuCh=1142089770&idSubMenuID=uczelnie_partnerskie&idMenuID=wspolpraca_miedzynarodowa). Retrieved March 9, 2006.
- WSPIZ. 2006. "What makes us different?" Online at <http://www.wspiz.edu.pl/resources/?rid=11383>. Retrieved March 9, 2006.